



STATEMENT FOR THE RECORD

OF

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FOR THE HEARING ON

**“THE BENEFITS OF PERMANENT TAX POLICY FOR
AMERICA’S JOB CREATORS”**

BEFORE

**THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS**

APRIL 8, 2014

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On behalf of TrueBlue, Inc. (“TrueBlue”), thank you for the opportunity to submit this statement for the record. We applaud the Committee for its leadership and review of tax extenders in the context of tax reform. In particular, we applaud the Committee for its commitment to providing stability and certainty to American businesses through permanent tax policy that promotes economic growth.

Although the focus of the Committee’s hearing was limited to those business tax extenders that were made permanent or extended by Chairman Camp’s tax reform discussion draft, we wanted to raise another important tax policy: the Work Opportunity Tax Credit (“WOTC”). WOTC is an important business-related tax provision that has the added benefit of supporting individuals who would otherwise have difficulty entering the workforce and contributing to our nation’s economic growth.

Unfortunately, WOTC expired on December 31, 2013, along with a number of other meritorious tax policies. At a time of intransigent unemployment, particularly among WOTC’s target groups, its lapse is a significant setback for job creation. Congress should make permanent this important policy and, in the interim, extend it quickly, seamlessly, and retroactively.

WORK OPPORTUNITY TAX CREDIT

WOTC is a tax credit provided to employers who hire individuals from several targeted groups who face significant barriers to employment. Examples of WOTC-targeted employee groups include veterans who either are food stamp recipients or are unemployed and suffering a service-connected disability, former felons, disconnected youth, and members of families receiving benefits under the Temporary Assistance for Needy Families Program (“TANF”).

WOTC and its predecessors, the Targeted Jobs Tax Credit (“TJTC”) and the Welfare to Work (“WTW”) Tax Credit, have existed since 1977, except for a brief lapse in the 1990s. Since WOTC was established in 1996, it has been temporarily extended nearly a dozen times. WOTC was most recently extended through 2013 as part of the American Taxpayer Relief Act of 2012.

WOTC is a selective hiring tax incentive to encourage employers to hire members of certain groups. WOTC focuses on workers perceived to have relatively low skill levels, making them less attractive to employers. These groups suffer from higher unemployment and lower wages. Stated differently, WOTC lessens the impact of the productivity gap between the target group members and other workers, encouraging employers to take a chance and hire workers they may otherwise not.

Once in the workforce, workers in the target group gain experience and on-the-job training, allowing them to subsequently “climb the ladder” to higher-skilled and higher-paying jobs. Through WOTC, ***more long-term welfare recipients – the most difficult cases – are being employed in the private sector and 7 out of 10 welfare recipients are using WOTC to find private sector jobs***, according to a 2011 study by Peter Cappelli of the Wharton Business School at the University of Pennsylvania.

Moreover, WOTC works. In 2011 alone, more than 1.1 million workers found jobs through WOTC. Further, this important tax policy enables these workers to move into self-sufficiency as they earn a steady income and become contributing taxpayers. The Cappelli study found that individuals hired under WOTC go on to become productive employees who are no longer dependent on public assistance. In fact, in a follow up study published in 2013, Cappelli found that *for a onetime investment of \$1,560, WOTC saves the government \$17,722 for each year the individual remains employed*. The 2011 Cappelli study also found that WOTC is one of the most successful and cost effective federal employment programs. This finding was echoed in a study by the New York State Department of Labor that found people hired through WOTC stay in the workforce and off of public assistance.

As noted previously, WOTC and its predecessors have existed since 1977, making the provisions part of the fabric of the tax code for over three decades. WOTC was not designed to be a temporary provision, either as a stimulus provision or a provision requiring sunset review. Instead, WOTC was designed to be a permanent policy, though it was enacted as a temporary provision due to budget constraints.

The ongoing extensions of WOTC reflect that the tax policy effectively and efficiently addresses an important policy need. Consistent with the Committee's commitment to providing businesses with policy stability through the tax code, Congress should make WOTC permanent.

TRUEBLUE & TEMPORARY EMPLOYMENT

As a leading supplier of temporary work, TrueBlue provides employment opportunities and a bridge to permanent jobs for many who otherwise face barriers to entering the workforce. Annually, approximately 40,000 applicants are eligible and approximately 8,000 are ultimately approved for WOTC.

In 2013, TrueBlue connected approximately 350,000 people to work, paying nearly \$915 million in wages and serving nearly 130,000 businesses in the service, retail, wholesale, manufacturing, transportation, and construction industries. TrueBlue also employs 3,200 regular headquarter and branch staff, who are more akin to traditional employees and work on a more long-term, regular, and predictable basis. TrueBlue provides temporary blue-collar and skilled workers through five lines of business: Labor Ready; Spartan Staffing; CLP Resources; Plane Techs; and Centerline. The TrueBlue family of companies is committed to providing individuals with opportunities for growth and customers with the help they need to succeed in today's competitive environment.

Temporary employment plays a critical role in the economy by providing employment flexibility for workers and businesses. Temporary staffing firms employ more than 13 million people annually, offering millions of people the opportunity to work, particularly as the economy continues its fragile recovery.

Temporary employment is an important tool in mitigating unemployment, while offering a significant opportunity to find permanent employment. Temporary employment also provides people with on-the-job training, allowing them to learn new skills and expand their knowledge base, which can later be transferred to other employers and strengthened.

At the same time, temporary employment provides businesses with the opportunity to support or supplement their workforce in various work situations, such as employee absences, skill shortages, seasonal workloads, and special assignments or projects. Moreover, in the current economy, temporary employment is leading the jobs recovery by allowing employers to gauge business and economic conditions before committing to permanent hires.

If someone works for TrueBlue, that person is an employee of the company rather than an independent contractor. Employee status integrates workers into the U.S. economy, ensuring that they are eligible to work in the U.S., that all workers' compensation, unemployment, and income taxes – as well as any court-ordered garnishments – are withheld and collected, and that W-2s report income accurately.

CONCLUSION

Allowing WOTC to expire at a time of persistently high unemployment is a significant setback for job creation. As a result, Congress should make WOTC permanent, since it has proven to be an effective incentive for businesses to provide jobs for workers who might otherwise fall through the cracks. Doing so would further provide taxpayers with predictability and certainty in the tax code while also promoting employment and economic growth. In the interim, WOTC should be extended expeditiously so the success of this cost-effective program is not interrupted.

TrueBlue greatly appreciates the opportunity to submit this statement. We are pleased to serve as a resource to the Congress and the Committee on these and related matters. We look forward to our continued work together on these important issues.